

HONORABLE KAREN A. OVERSTREET  
CHAPTER 11

HEARING DATE: **FRIDAY, DECEMBER 18, 2009**  
HEARING TIME: **9:30 A.M.**  
LOCATION: **ROOM 7206, SEATTLE**  
RESPONSE DUE: **FRIDAY, DECEMBER 18, 2009**

**UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE**

In re

THE CASCADIA PROJECT LLC,

Debtor.

Chapter 11  
Bankruptcy No. 09-20780

**DECLARATION OF JEFFREY  
TODHUNTER IN SUPPORT OF THE  
OBJECTION OF HOMESTREET  
BANK TO DEBTOR'S MOTION FOR  
ORDER 1) DETERMINING THAT  
CERTAIN PROCEEDS AND OTHER  
FUNDS MAY BE USED FOR  
MONTHLY PAYMENTS TO  
HOMESTREET BANK; 2) SETTING  
HEARING DATE ON SALE OF  
EASEMENT RIGHTS TO PUGET  
SOUND ENERGY; AND 3)  
EXTENDING THE 90 DAY PERIOD  
UNDER 11 U.S.C. § 362(D)(3) FOR  
CAUSE**

I, Jeffrey Todhunter, hereby declare and say:

1. I am a Senior Vice President of HomeStreet Bank ("HomeStreet"). I have personal knowledge of the matters set forth in this Declaration and, if called upon to testify, I could and would competently testify thereto. I have knowledge regarding the factual matters that are the subject of HomeStreet's above captioned Objection to Debtor's Motion for Order 1) Determining that Certain Proceeds and Other Funds May be Used for Monthly Payments to

1 HomeStreet Bank; 2) Setting Hearing Date on Sale of Easement Rights to Puget Sound Energy;  
2 and 3) Extending the 90 Day Period under 11 U.S.C. § 362(d)(3) for Cause through my  
3 employment and position with HomeStreet.

4 2. I am one of the custodians of the books, records and files of HomeStreet as to  
5 those books, records and files that pertain to loans, extensions of credit, and security instruments  
6 granted in favor of HomeStreet Bank by The Cascadia Project LLC ("Cascadia" or the  
7 "Debtor"). I have personally worked on books, records and files and as to the following facts, I  
8 know them to be true of my own knowledge, or I have gained knowledge of them from the  
9 business records of HomeStreet, which were made at or about the time of the events recorded,  
10 and which are maintained in the ordinary course of HomeStreet' business at, or near, the time of  
11 the acts, conditions or events to which they relate. Any such document was prepared in the  
12 ordinary course of HomeStreet by a person who had personal knowledge of the event being  
13 recorded and had or has a business duty to report accurately such event.

14 3. On or about June 23, 2005, Cascadia Development Corporation executed in favor  
15 of HomeStreet that certain Adjustable Rate Promissory Note dated June 23, 2005 (as  
16 subsequently amended and extended) in the original principal amount of \$35,000,000.00 (Loan  
17 Number RC80549, or the "RC80549 Note"). A true and correct copy of the RC80549 Note is  
18 attached hereto as **Exhibit A**. Cascadia subsequently assumed this debt on November 18, 2005  
19 pursuant to that certain Loan Assumption and Modification Agreement of the same date. A true  
20 and correct copy of this Loan Assumption and Modification Agreement is attached hereto as  
21 **Exhibit B**.

22 4. The non-default contract rate of interest on the RC80549 Note is the prime rate  
23 plus 1%, currently equal to 4.25% per annum. The default rate is 12% per annum.

24 5. On or about August 20, 2007, Cascadia executed in favor of HomeStreet that  
25 certain Adjustable Rate Promissory Note dated August 20, 2007 in the original principal amount  
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1 of \$36,400,000.00 (Loan Number RC80781-S, or the "RC80781 Note"). A true and correct copy  
2 of the RC80781 Note is attached hereto as **Exhibit C**.

3 6. The non-default contract rate of interest on the RC80781 Note is the prime rate  
4 plus 1%, currently equal to 4.25% per annum. The default rate is 12% per annum.

5 7. In order to secure repayment of the RC80549 Note and the RC80781 Note  
6 (together, the "Notes" or "Cascadia Loans"), Cascadia and/or its predecessor in interest pledged  
7 property consisting of 385 finished single-family lots and approximately 4,173 acres of excess  
8 land located at 198<sup>th</sup> Avenue East and 160<sup>th</sup> Street East in unincorporated Pierce County,  
9 Washington (the "Property"). This pledge is evidenced by, inter alia, the following:

- 10 • That certain Deed of Trust, Security Agreement, Fixture Filing and Assignment of  
11 Rents dated June 23, 2005 and recorded in the real property records of Pierce  
12 County, Washington on June 29, 2005 as instrument number 200506290887, a  
13 true and correct copy of which is attached hereto as **Exhibit D**;
- 14 • That certain First Amendment of Deed of Trust dated November 18, 2005 and  
15 recorded in the real property records of Pierce County, Washington on January  
16 26, 2006 as instrument number 200601261389, a true and correct copy of which  
17 is attached hereto as **Exhibit E**;
- 18 • That certain Second Amendment of Deed of Trust dated April 17, 2007 and  
19 recorded in the real property records of Pierce County, Washington on April 19,  
20 2007 as instrument number 200704190819, a true and correct copy of which is  
21 attached hereto as **Exhibit F**;
- 22 • That certain Third Amendment of Deed of Trust dated August 20, 2007 and  
23 recorded in the real property records of Pierce County, Washington on August 30,  
24 2007 as instrument number 200708300231, a true and correct copy of which is  
25 attached hereto as **Exhibit G**; and  
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- That certain Deed of Trust, Security Agreement, Assignment of Leases and Rents, Assignment of Permits, Contracts, and Plans, and Fixture Filing dated August 20, 2007 and recorded in the real property records of Pierce County, Washington on August 30, 2007 as instrument number 200708300232, a true and correct copy of which is attached hereto as **Exhibit H** (together, the “Deeds of Trust”).

8. HomeStreet’s Deeds of Trust attach to all of the Property as it is described in the Debtor’s Schedule A.

9. As of December 18, 2009, Cascadia owes to HomeStreet under the terms of the RC80549 Note and the RC80781 Note not less than \$76,629,238.53, all of which is secured against the Property by the terms of the Deeds of Trust.

10. The City of Tacoma, Department of Public Utilities, Water Division (D.B.A. Tacoma Water) holds a lien against the Property in the amount of \$1,118,000. This lien is superior to the security interest of HomeStreet, as shown by the Trustee Sale Guarantee produced by Chicago Title Insurance Company, a true and correct copy of which is attached hereto as **Exhibit I**.


11. Under the Deeds of Trust, HomeStreet has a lien upon all timber located on the Property, and all proceeds generated from the sale of any such timber. See Exhibit H, ¶1.1.8.

12. Under the Deeds of Trust, HomeStreet has a lien against all accounts maintained by Cascadia with HomeStreet or any affiliate of HomeStreet. See Exhibit H, ¶1.1.7.

13. As of the Debtor’s petition date, Cascadia had on deposit with HomeStreet approximately \$113,845 in account number \*\*\*\*\*6012, and approximately \$234,486.24 in account number \*\*\*\*\*5859, for a total of \$348,466. True and correct copies of redacted account statements are attached hereto as **Exhibit J**.

14. The restricted funds in these accounts were proceeds from HomeStreet’s loans to Cascadia, and were transferred to an account with The Commerce Bank of Washington subject to HomeStreet’s liens.

1 I declare under penalty of perjury under the laws of the State of Washington that the  
2 foregoing is true and correct and that this Declaration was executed on this 16 day of  
3 December, 2009 at Seattle, Washington.

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6 Jeffrey Todhunter  
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